

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 L-03 CIAE-00 COME-00 DODE-00

DOT-00 FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-04

OES-06 AGR-05 PA-01 USIA-06 PRS-01 SP-02 TRSE-00 SS-15

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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 1342

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TAGS: EWWT GT

SUBJECT: SHIPPING DISCRIMINATION - DELTA/FLOMERCA AGREEMENT
SIGNED

REF: A) GUATEMALA 2688, B) GUATEMALA 2276, C) GUATEMALA 2689
D) GUATEMALA 2940

SUMMARY: ASSOCIATION/POOLING AGREEMENT SIGNED BY DELTA
AND FLOMERCA HERE APRIL 20. AGREEMENT EARLIER HAD BEEN
ATTACKED IN LOCAL PRESS, MAY BE QUESTIONED IN US. HOWEVER,
CLARK OF DELTA SANGUINE THAT LONG BATTLE OVER WITH AND
"SPOILERS" CAN BE DEALT WITH. AGREEMENT HAS NOT DETERRED
SUPPORT BEING ADVANCED FOR NEW MARITIME/RECONSTRUCTION
TAX BILL, WHICH WOULD REFORM SHIPPING REGIME BUT NOT
NECESSARILY UNDERCUT NEW AGREEMENT. END SUMMARY

1. DELTA PRESIDENT CAPTAIN CLARK HAS INFORMED EMBASSY THAT
ASSOCIATION/POOLING AGREEMENT (REF A) WAS SIGNED
WITH FLOMERCA LATE AFTERNOON APRIL 20. DELTA SENDING
COPY TO WASHINGTON (WOULD APPRECIATE DUPLICATE BEING
MADE AND POUCHED HERE). IN ACCORDANCE WITH AGREEMENT,
DELTA WILL WITHDRAW COMPLAINT AGAINST SHIPPING REGIME IN
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GUATEMALA FROM FMC AND STR AND REQUEST ACCEPTANCE SUHC

WITHDRAWAL FROM THOSE TWO BODIES FOR SUBMISSION TO FLOMERCA.

2. CLARK EXPRESSED CONFIDENCE THAT ASSOCIATION/POOLING AGREEMENT WILL BE APPROVED BY FMC. ASSURED EMBOFF THAT CLOSE RELATIONS WITH OTHER AMERICAN LINES INTERESTED IN TRADE WITH GUATEMALA - SEALAND AND PUERTO RICO MARINE LINES (CROWLEY INTERESTS, REF B) - WILL ENABLE DELTA TO PERSUADE THEM NOT TO PROTEST NEW AGREEMENT. (ON OTHER HAND. LOCAL SOURCE TOLD US LATER THAT CROWLEY WILL PROTEST TO STR AS WELL AS FMC ANY WITHDRAWAL OF FINDING THAT SHIPPING REGIME HERE DISCRIMINATORY.)

3. ON GUATEMALAN SIDE, CLARK REPORTED THAT FLOMERCA DIRECOTRS HAD DISCUSSED AGREEMENT WITH PRESIDENT LAUGERUD AFTERNOON APRIL 20 AND HE APPROVED.

4. CLARK DID ADMINT, HOWEVER, THAT SOME ELEMENTS IN FLOMERCA HAD RESERVATIONS ABOUT AGREEMENT WITH DELTA. AT BEGINNING OF MEETING MORNING APRIL 20, MARTINEZ DEL ROSAL, STILL PRESIDENT OF FLOMERCA, GOT UP AND DELIVERED STATEMENT THAT FLOMERCA'S SIGNATURE OF AGREEMENT WOULD NOT BE IN INTEREST OF EITHER GUATEMALAN LINE OR COUNTRY. REST OF BOARD, HEADED BY VICE PRESIDENT PERALTA PORTILLO OF CORFINA, PROTESTED, HURRIED MARTINEZ DEL ROSAL OUT OF ROOM. BOARD LATER RETURNED AND AFFIRMED THEIR ACCEPTANCE IN PRINCIPLE OF AGREEMENT. NUMBER OF DETAILS IRONED OUT, AND SIGNATURE TOOK PLACE LATER IN DAY. CELEBRATION PARTY THAT EVENING APPARENTLY DID NOT INCLUDE EVERYBODY ON FLOMERCA SIDE; DID INCLUDE REPRESENTATIVE OF CHAMER OF COMMERCE ON FLOMERCA BOARD AND PRESIDENT OF CHAMBER, THOUGH OTHERS ON THAT BODY NO COMPLETELY HAPPY WITH DELTA/FLOMERCA AGREEMENT.

5. IN AFTERNOON PRESS APRIL 14 (BEFORE LON GUATEMALAN EASTER HOLIDAY)AND IN MORNING PRESS APRIL 19 (AFTER HOLIDAY), THTERE APPEARED TWO ITEMS PROTESTING PROPOSED AGREEMENT AND ASSERTING IT WOULD BE IN VIOLATION OF DECREE 41-71. FIRST ITEM - A FRONT-PAGE STORY IN "EL IMPARCIAL" - ASSERTED THAT AGREEMENT (ALONG LINES OF LIMITED OFFICIAL USE

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POOLING ARRANGEMENT DELTA HAD WORKED OUT IN BRAZIL AND ARGENTINA) WOULD BE HARMFUL TO GUATEMALAN NATIONAL SOVEREIGNTY AND MIGHT LEAD TO BANKRUPTCY OF ALL THREE GUATEMALAN LINES, INCLUDING FLOMERCA. REPORTED THAT DELTA HAD INDUCED USG TO PRESS GOG FOR ANNULMENT OF DECREE 41-71 UNDER THREAT OF IMPOSING A CHARGE OF "50 PERCENT ON ALL PRODUCTS COMING FROM THE US" IF DECREE NOT ANNULLED. THREAT SUSPENDED BECAUSE OF EARTHQUAKE.

ARTICLE PROTESTED ANY CONTINUING EFFORT TO CHANGE LAW UNDER PRESSURE BY DELTA.

6. SECOND ITEM WAS PAID ADVERTISEMENT GIVING TEXT OF OPEN TELEGRAM TO FLOMERCA FROM ARMAGUA. TELEGRAM SIMILARLY CLAIMED NEW AGREEMENT WOULD RUIN FLOMERCA AND ALSO ARMAGUA AND LINEAS MARITIMAS GUATEMALTECAS (LMG). WAS AGAINST DECREE 41-71, WHICH TELEGRAM SAID FLOMERCA AND DELTA COULD NOT MODIFY BY THEMSELVES. ARMAGUA CALLED FOR IMMEDIATE MEETING OF THE THREE NATIONAL LINES.

7. INFORMED SHIPPING SOURCES BELIEVE ARMAGUA WAS BEHIND EARLIER NEWS STORY, ALSO LMG (NOW HEADED BY FORMER FLOMERCA BOARD MEMBER RIEDEL), PLUS MARTINEZ DEL ROSAL AND FORMER FLOMERCA MANAGER MIRON. LATTER TWO APPARENTLY FEEL THAT OLD-TYPE ASSOCIATION AGREEMENT - WHEREBY FLOMERCA RECEIVED AROUND 5 PERCENT OF FREIGHT CHARGES ON XONERATED CARGO CARRIED BY ASSOCIATED LINES - MUCH MORE REMUNERATIVE TO FLOMERCA THAN DELTA AGREEMENT WILL BE. (WE SUSPECT THEY ARE CORRECT.) RIEDEL OPPOSED TO ANY PROGRAM OF NEW BOARD AND LINE ARMAGUA, UNDOUBTEDLY FEARFUL THAT HIS SINGLE-SHIP LINE WILL BE UNABLE TO COMPETE WITH NEW DELTA/FLOERCA COMBINE. HAVING LOST ITS SECOND VESSEL IN SHIPWRECK OF DOMINICAN REPUBLIC, ARMAGUA IN PARTICULARLY DIFFICULT STRAITS; OWNER CORONADO FIGHTING FOR CONTNUED EXISTENCE.

8. EMBASSY EXPECTS THAT QUESTIONING OF AGREEMENT WILL CONTINUE BUT THAT ULTIMATWY, AS REQUIRED THEREIN, GOG WILL FORMALLY APPROVE IT. FLOMERCA BOARD NOW PACKED WITH GOVERNMENT REPRESENTATIVES, INCLUDING AS REPLACEMENT FOR RIEDEL, EMILIO DE LA TORRE, DIRECTOR GENERAL, FOREIGN AND INTERNAL TRADE, MINISTRY OF ECONOMY. INCOMPATIBILITY LIMITED OFFICIAL USE

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OF AGREEMENT WITH DECREE 41-71 AS CHARGED BY ARMAGUA IS A LEGAL FACT, BUT CORONADO NEGLECTED TO CITE SUBSEQUENT DECREE 57-73, WHICH ALLOWZS TRANSPORT LINES WITH MAJORITY STATE OWNERSHIP THE RIGHT TO CONCLUDE ASSOCIATION AGREEMENTS WITH OUTSIDE PARTIES IN ORDER TO CARRY CARGO RESERVED FOR SUCH LINES.

9. ARMAGUA'S OBJECTIVE IS TH CHANGE SHIPPING REGIME AND BRING CARGO ASSIGNMENT INTO CONFORMANCE WITH 40-40-20 FORMULA OF UNCTAD CODE OF CONDUCT FOR LINER CONFERENCES (REF. D). FOR TACTICAL REASONS NOW IS DEFENDING DECREE 41-71, THOUGH IN ARMAGUA'S PROPOSED BILL ON NEW SHIPPING REGIME (REF. C), IT CALLED FOR ANNULMENT OF DECREE. DEFENSE OF DECREE 41-71 IN PRESS HAS NOT BEEN TAKEN SERIOUSLY BY JOSE BANUS, WITH RESPECT TO PROGRESS THROUGH

CONGRESS OF HIS MARITIME/RECONSTRUCTION TAX BILL (WHICH WOULD ANNUL DECREE 41-71 - REF. C). CHAMBER OF COMMERCE MEMORANDUM SUPPORTING BILL (REF. D) HAS BEEN PRESENTED TO CONGRESS; COPY SUPPLIED EMBASSY IN CONFIDENCE. DATED APRIL 9, 1976, IT IS CO-SIGNED BY POWERFUL CHAMBER OF INDUSTRY. DWELLS ON BENEFITS THAT WOULD ACCRUE TO ECONOMY FROM FREEING OF SHIPPING REGIME PROPOSED IN BILL; ASSERTS THAT FUNDING WHICH WOULD BE DIRECTED TO NATIONAL MERCHANT MARINE (NOT JUST FLOMERCA) UNDER NEW BILL WILL BE GREATER THAN INCOME RECEIVED FROM COMMISSIONS GAINED UNDER DECREE 41-71. DELEGATION FROM TWO CHAMBERS HAVE AN APPOINTMENT WITH LAUGERUD MAY 4 AND WILL PRESS SAME POINTS.

10. NOT KNOWN WHETHER THIS GROUP WILL COHERENTLY OPPOSE OR NOT DELTA/FLOMERCA POOLING AGREEMENT. MAY AGREE IN DUE TIME THAT CONCLUSION OF AGREEMENT NOT INCONSISTENT WITH REGIME PROPOSED IN THEIR BILL.

11. NO FURTHER REPORT ON PROGRESS OF BILL THROUGH CONGRESS. WE SUSPECT HOWEVER THAT SUCH PROGRESS WILL NOT BE FAST AND MAY WELL BE ACCOMPANIED BY THE SORT OF POLITICKING WHICH PREVIOUSLY BESET DELTA/FLOMERCA NEGOTIATIONS AND MAY NOW BE FURTHER STIMULATED BY POOLING AGREEMENT. ANDREWS

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